
Province of British Columbia Pooled Investment Portfolios

Group of Funds

Canadian Corporate Bond Fund
Short Term Bond Fund
Pension Bond Fund
Realpool Investment Fund
Fixed Term Mortgage Fund
Construction Mortgage Fund
Private Placement Fund 1995
Private Placement Fund 1996
Private Placement Fund 1997
Private Placement Fund 1998
Managed International Equity Fund
Passive International Equity Fund
European Indexed Equity Fund
Asian Equity Fund
European Equity Fund
International Equity Fund

Canadian Money Market Fund ST1
Canadian Money Market Fund ST2
U.S. Dollar Money Market Fund ST3
Indexed Government Bond Fund
Long Term Bond Fund
British Columbia Focus Fund
Indexed Canadian Equity Fund
Active Canadian Equity Fund
TSE 100 Index Equity Fund
Active U.S. Equity Fund
S & P 500 Index Equity Fund
U.S. Index Enhanced Equity Fund

Financial Statements 1998/1999



**BRITISH
COLUMBIA**

Ministry of Finance and Corporate Relations



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Province of British Columbia Pooled Investment Portfolios

Group of Funds

Canadian Corporate Bond Fund
Short Term Bond Fund
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Realpool Investment Fund
Fixed Term Mortgage Fund
Construction Mortgage Fund

Private Placement Fund 1995
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Private Placement Fund 1997
Private Placement Fund 1998

Managed International Equity Fund
Passive International Equity Fund
European Indexed Equity Fund

Asian Equity Fund
European Equity Fund
International Equity Fund

Financial Statements

For the year ended December 31, 1998

BRITISH
COLUMBIA

Ministry of Finance and Corporate Relations



**Report of the Auditor General
of British Columbia**



*To the Minister of Finance and Corporate Relations,
Province of British Columbia:*

I have audited the statements of net assets of the Province of British Columbia Pooled Investment Portfolios, being the:

- Canadian Corporate Bond Fund,
- Pension Bond Fund,
- Fixed Term Mortgage Fund,
- Private Placement Fund 1995,
- Private Placement Fund 1997,
- Managed International Equity Fund
- European Indexed Equity Fund
- European Equity Fund, and
- Short Term Bond Fund,
- Realpool Investment Fund,
- Construction Mortgage Fund,
- Private Placement Fund 1996,
- Private Placement Fund 1998,
- Passive International Equity Fund,
- Asian Equity Fund,
- International Equity Fund

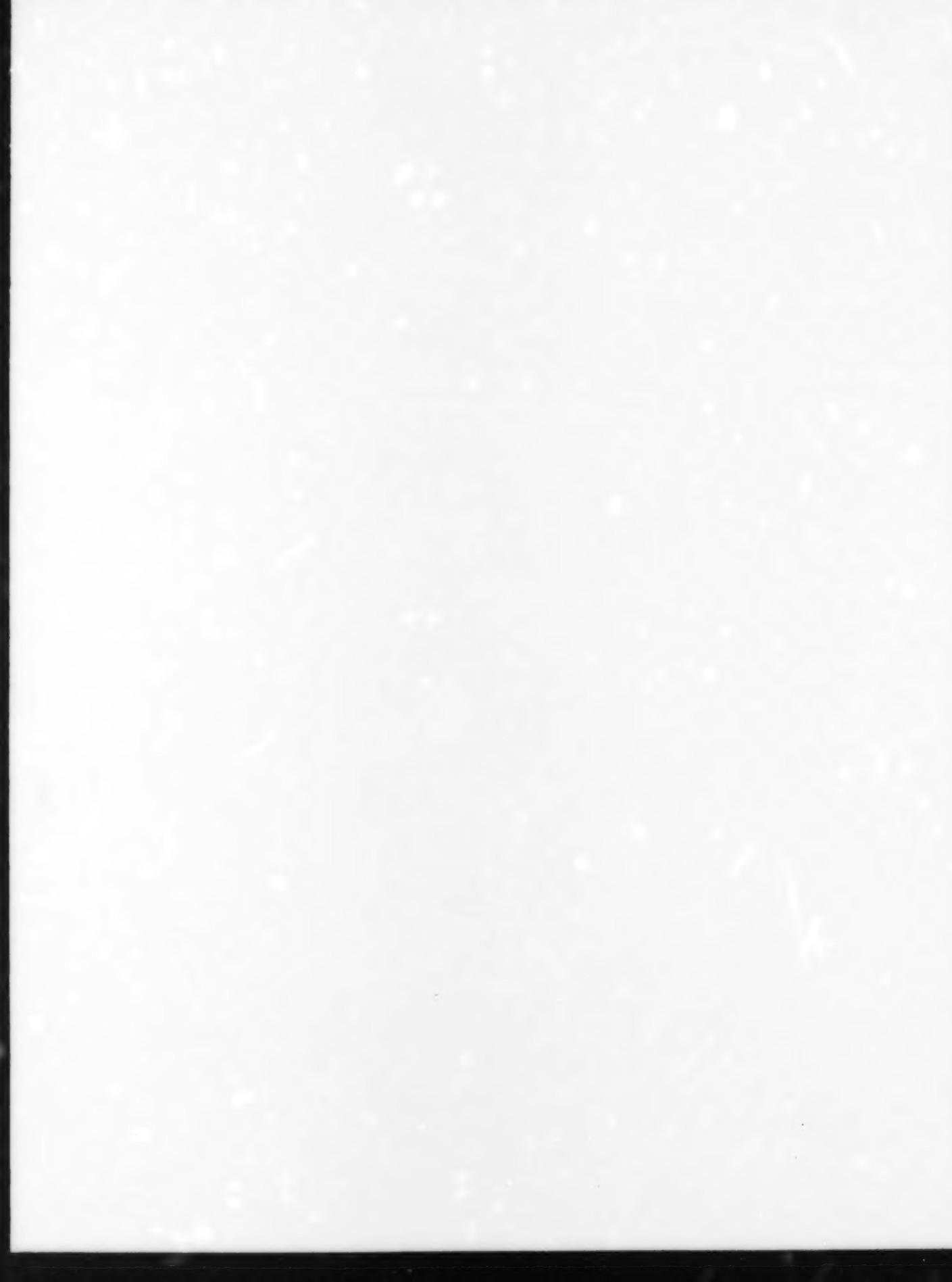
as at December 31, 1998 (Managed International Equity Fund, Passive International Equity Fund, and European Indexed Equity Fund as at January 2, 1998), the statements of changes in net assets for the year then ended (Private Placement Fund 1998 for the period March 13, 1998 to December 31, 1998; Managed International Equity Fund, Passive International Equity Fund and European Indexed Equity Fund for the two days ending January 2, 1998; and Asian Equity Fund, European Equity Fund and International Equity Fund for the period January 2, 1998 to December 31, 1998) and the statements of investments as at December 31, 1998. These financial statements are the responsibility of the Portfolios' management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.



In my opinion, these financial statements present fairly, in all material respects, the financial position of the Canadian Corporate Bond Fund, Short Term Bond Fund, Pension Bond Fund, Realpool Investment Fund, Fixed Term Mortgage Fund, Construction Mortgage Fund, Private Placement Fund 1995, Private Placement Fund 1996, Private Placement Fund 1997, Private Placement Fund 1998, Managed International Equity Fund, European Indexed Equity Fund, Asian Equity Fund, European Equity Fund, and International Equity Fund as at December 31, 1998 (Managed International Equity Fund, Passive International Equity Fund, and European Indexed Equity Fund as at January 2, 1998), the changes in fund net assets for the year then ended (Private Placement Fund 1998 for the period March 13, 1998 to December 31, 1998; Managed International Equity Fund, Passive International Equity Fund and European Indexed Equity Fund for the two days ending January 2, 1998; and the Asian Equity Fund, European Equity Fund and International Equity Fund for the period January 2, 1998 to December 31, 1998), and the statements of investments as at December 31, 1998 in accordance with generally accepted accounting principles.


George Z. Rorke
Victoria, British Columbia
August 13, 1999



Province of British Columbia Pooled Investment Portfolios

STATEMENT OF RESPONSIBILITY

To the Minister of Finance and Corporate Relations:

Responsibility for the integrity, objectivity and the preparation of the accompanying financial statements rests with the management of the Provincial Treasury. These statements are prepared in accordance with generally accepted accounting principles consistently applied and include some amounts that are based on best estimates and judgements. Systems of internal controls are in place to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained to provide reliable financial statements.

The Auditor General of the Province of British Columbia conducts an independent examination, in accordance with generally accepted auditing standards, and provides an independent professional opinion on the financial statements.



Bob de Faye

Assistant Deputy Minister
Provincial Treasury



Clive Molsperry

Director
Banking/Cash Management
Provincial Treasury

Victoria, British Columbia
August 13, 1999

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
 STATEMENTS OF NET ASSETS
 AS AT DECEMBER 31, 1998

(\$ Thousands)

| | CANADIAN CORPORATE BOND FUND | | SHORT TERM BOND FUND | | PENSION BOND FUND | |
|--|------------------------------|---------------------|----------------------|---------------------|---------------------|---------------------|
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 |
| Investments at market value | \$ 1,288,949 | \$ 1,197,303 | \$ 1,251,920 | \$ 1,062,121 | \$ 9,560,561 | \$ 8,585,098 |
| Accrued investment income | 17,986 | 17,804 | 21,256 | 19,128 | 135,824 | 140,548 |
| Total assets | \$ 1,306,935 | 1,215,107 | 1,273,176 | 1,081,249 | 9,696,385 | 8,725,646 |
| Payable for investments purchased | - | - | - | 48,880 | - | 139,831 |
| Custodial fees payable | 5 | 5 | 6 | 4 | 40 | 37 |
| Total Liabilities | 5 | 5 | 6 | 48,884 | 40 | 139,868 |
| Net assets representing unitholders' equity | \$ 1,306,930 | \$ 1,215,102 | \$ 1,273,170 | \$ 1,032,365 | \$ 9,696,345 | \$ 8,585,778 |
| Number of units outstanding (note 15) | 559,694 | 559,314 | 1,006,749 | 871,128 | 5,953,177 | 5,771,694 |
| Net asset value per unit | \$ 2,335 | \$ 2,172 | \$ 1,265 | \$ 1,185 | \$ 1,629 | \$ 1,488 |

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Minister of Finance and Corporate Relations.


 Doug Pearce
 Chief Investment Officer
 Ministry of Finance and Corporate Relations


 Chris Trunphy
 Deputy Minister
 Ministry of Finance and Corporate Relations

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 1998

(\$ Thousands)

| | CANADIAN CORPORATE BOND FUND | | SHORT TERM BOND FUND | | PENSION BOND FUND | |
|--|---------------------------------|---------------------|-------------------------|---------------------|----------------------|---------------------|
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 |
| Net assets, beginning of year | \$ 1,215,102 | \$ 529,344 | \$ 1,032,365 | \$ 1,002,335 | \$ 8,585,778 | \$ 8,184,122 |
| Changes during the year: | | | | | | |
| Operations: | | | | | | |
| Income: | | | | | | |
| Investment income | 77,490 | 48,171 | 63,961 | 54,272 | 554,953 | 539,538 |
| Expenses (note 10): | | | | | | |
| Custodial fees | 19 | 11 | 21 | 16 | 155 | 139 |
| Other | 1 | 1 | 1 | 1 | 155 | 10 |
| | 20 | 12 | 21 | 17 | 155 | 149 |
| Net investment income | 77,470 | 48,159 | 63,940 | 54,255 | 554,798 | 539,389 |
| Net realized gain on sale of investments | 13,190 | 12,199 | 1,065 | 5,899 | 200,366 | 266,741 |
| Change in unrealized appreciation (depreciation) of investments | 302 | 6,372 | 12,686 | (17,049) | 95,403 | (32,474) |
| | 90,962 | 66,730 | 77,691 | 43,105 | 850,567 | 773,656 |
| Capital transactions: | | | | | | |
| Proceeds from units issued | 866 | 619,028 | 763,349 | 602,595 | 9,300,722 | 613,869 |
| Amounts paid for units redeemed | | | (600,235) | (695,670) | (9,040,722) | (985,869) |
| | 866 | 619,028 | 163,114 | (93,075) | 260,000 | (372,000) |
| Net increase (decrease) during the year | 91,028 | 685,758 | 240,805 | (49,970) | 1,110,567 | 401,656 |
| Net assets, end of year | \$ 1,306,930 | \$ 1,215,102 | \$ 1,273,170 | \$ 1,032,365 | \$ 9,696,345 | \$ 8,585,778 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF NET ASSETS
AS AT DECEMBER 31, 1998

(\$ Thousands)

| | REALPOOL | | FIXED TERM | | CONSTRUCTION | |
|--|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| | INVESTMENT FUND | 1998 | MORTGAGE FUND | 1996 | 1997 | MORTGAGE FUND |
| | 1998 | 1997 | | 1996 | 1997 | |
| Investments at market value | | | | | | |
| Cash | \$ 2,617,389 | \$ 2,145,182 | \$ 648,761 | \$ 461,953 | \$ 205,956 | \$ 169,086 |
| Accounts receivable | 25,352 | 23,042 | - | - | - | 309 |
| Receivable from sale of investments | - | - | 704 | - | - | - |
| Discharges receivable | - | - | - | - | - | 4,446 |
| Accrued investment income | 107 | - | 4,362 | 2,241 | 1,030 | 733 |
| Other assets (note 5) | 19,679 | 12,711 | - | - | - | - |
| Total assets | 2,662,527 | 2,181,639 | 853,123 | 464,194 | 206,981 | 174,574 |
| Mortgages at market value and other payables (note 6) | | | | | | |
| Mortgage servicing fees payable | 589,193 | 425,108 | - | 55 | 31 | 13 |
| Accounts payable | - | - | - | - | - | 324 |
| Total liabilities | 589,193 | 425,108 | - | 55 | 31 | 13 |
| Net assets representing unitholders' equity | \$ 2,073,334 | \$ 1,756,531 | \$ 653,068 | \$ 464,163 | \$ 206,649 | \$ 174,564 |
| Number of units outstanding (note 15) | 1,123,098 | 1,072,640 | 603,419 | 354,641 | 163,738 | 148,066 |
| Net asset value per unit | \$ 1.846 | \$ 1,638 | \$ 1,414 | \$ 1,309 | \$ 1,262 | \$ 1,179 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 1998

(\$ Thousands)

| | REALPOOL | | FIXED TERM | | CONSTRUCTION | |
|--|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| | INVESTMENT FUND | | MORTGAGE FUND | | MORTGAGE FUND | |
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 |
| Net assets, beginning of year | \$ 1,756,531 | \$ 1,336,136 | \$ 464,163 | \$ 134,863 | \$ 174,564 | \$ 73,383 |
| Changes during the year: | | | | | | |
| Operations: | | | | | | |
| Income: | | | | | | |
| Investment income | 5,079 | 2,394 | 44,131 | 22,316 | 12,445 | 10,169 |
| Net rental income | 95,300 | 82,417 | - | - | - | - |
| | 100,379 | 84,811 | 44,131 | 22,316 | 12,445 | 10,169 |
| Expenses (note 10): | | | | | | |
| External management fees | 11,081 | 11,159 | - | - | - | - |
| Mortgage servicing and brokerage fees | - | - | 680 | 481 | 136 | 120 |
| Administrative and professional fees | 957 | 995 | - | - | 324 | - |
| | 12,038 | 12,154 | 680 | 481 | 460 | 120 |
| Net investment income | 88,341 | 72,657 | 43,451 | 21,835 | 11,985 | 10,049 |
| Net realized gain (loss) on sale of investments | 2,957 | 1,048 | 1 | 1 | 4 | (3) |
| Change in unrealized appreciation (depreciation) of investments | 136,505 | 186,690 | 6,853 | 1,214 | (404) | (515) |
| | 227,803 | 260,395 | 50,305 | 23,050 | 11,585 | 9,531 |
| Capital transactions: | | | | | | |
| Proceeds from units issued | 134,000 | 370,969 | 339,600 | 338,680 | 59,500 | 135,975 |
| Amounts paid for units redeemed | (45,000) | (210,969) | - | (32,430) | (39,000) | (44,325) |
| | 89,000 | 160,000 | 338,600 | 306,250 | 20,500 | 91,650 |
| Net increase during the year | 316,803 | 420,395 | 388,905 | 329,300 | 32,085 | 101,181 |
| Net assets, end of year | \$ 2,073,334 | \$ 1,756,531 | \$ 853,068 | \$ 464,163 | \$ 206,649 | \$ 174,564 |

¹ Includes \$0.690 million (1997: \$1.697 million) change in unrealized increase in value of mortgage liabilities (note 6).

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF NET ASSETS
AS AT DECEMBER 31, 1998

(\$ Thousands)

| | PRIVATE PLACEMENT FUND 1995 | | PRIVATE PLACEMENT FUND 1996 | |
|--|--|-----------------|--|------------------|
| | 1998 | 1997 | 1998 | 1997 |
| Investments at market value | | | \$ 83,896 | \$ 51,149 |
| Accrued investment income | | | - | - |
| Total assets | \$ 76,681 | 53,583 | 83,896 | 51,149 |
| Fees payable | | | - | 9 |
| Total liabilities | - | - | - | 9 |
| Net assets representing unitholders' equity | \$ 76,681 | 53,583 | \$ 83,896 | \$ 51,140 |
| Number of units outstanding (note 15) | 49,342 | 42,023 | 77,446 | 49,311 |
| Net asset value per unit | \$ 1.554 | \$ 1.275 | \$ 1.083 | \$ 1.037 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 1998

(\$ Thousands)

| | PRIVATE PLACEMENT FUND 1995 | | PRIVATE PLACEMENT FUND 1996 | |
|---|--------------------------------|-----------|--------------------------------|-----------|
| | 1998 | 1997 | 1998 | 1997 |
| Net assets, beginning of year | \$ 53,583 | \$ 30,871 | \$ 51,140 | \$ 12,711 |
| Changes during the year: | | | | |
| Operations: | | | | |
| Income: | | | | |
| Investment income | 3,096 | 2,156 | 443 | 90 |
| Expenses (note 10): | | | | |
| External management fees | 74 | 45 | 298 | 279 |
| Other | 74 | 45 | 1 | 13 |
| Net investment income | 3,022 | 2,111 | 144 | (202) |
| Net realized gain on sale of investments | 2,260 | 632 | 746 | 387 |
| Change in unrealized appreciation of investments | 4,916 | 5,007 | 1,601 | 2,409 |
| | 10,198 | 7,750 | 2,491 | 2,594 |
| Capital transactions: | | | | |
| Proceeds from units issued | 12,900 | 14,962 | 30,265 | 35,835 |
| Amounts paid for units redeemed | - | - | - | - |
| | 12,900 | 14,962 | 30,265 | 35,835 |
| | 23,098 | 22,712 | 32,756 | 38,429 |
| | \$ 76,681 | \$ 53,583 | \$ 83,896 | \$ 51,140 |
| Net increase during the year | | | | |
| Net assets, end of year | | | | |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF NET ASSETS
AS AT DECEMBER 31, 1998

(\$ Thousands)

| | PRIVATE PLACEMENT FUND 1997 | PRIVATE PLACEMENT FUND 1998 | PRIVATE PLACEMENT FUND 1998 1998 (note 1) |
|---|--|--|--|
| | 1996 | 1997 | 1998 (note 1) |
| Investments at market value | \$ 134,922 | \$ 34,617 | \$ 44,124 |
| Total assets | 134,922 | 34,617 | 44,124 |
| Fees payable | 291 | 29 | 52 |
| Total liabilities | 291 | 29 | 52 |
| Net assets representing unitholders' equity | <u>\$ 134,631</u> | <u>\$ 34,588</u> | <u>\$ 44,072</u> |
| Number of units outstanding (note 15) | 119,420 | 39,182 | 45,958 |
| Net asset value per unit | <u>\$ 1,127</u> | <u>\$ 883</u> | <u>\$ 959</u> |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
 STATEMENTS OF CHANGES IN NET ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 1998

(\$ Thousands)

| | PRIVATE PLACEMENT FUND 1997 | | PRIVATE PLACEMENT FUND 1998 | |
|--|--------------------------------|------|--------------------------------|--------------------|
| | 1998 | 1997 | 1998 (note 1) | 1998 (note 1) |
| Net assets, beginning of year | \$ 34,588 | \$ - | \$ - | \$ - |
| Changes during the year: | | | | |
| Operations: | | | | |
| Income: | | | | |
| Investment income | 51 | - | 49 | - |
| Expenses (note 10): | | | | |
| External management fees | 1,084 | 12 | 62 | 106 |
| Other | 1,076 | | 62 | 106 |
| Net investment income | (1,025) | | (62) | (57) |
| Net realized gain on sale of investments | 17 | - | - | - |
| Change in unrealized appreciation (depreciation) of investments | 1,637 | | (3,539) (3,601) | (1,829) (1,886) |
| Capital transactions: | | | | |
| Proceeds from units issued | 99,414 | | 36,189 | 45,958 |
| Amounts paid for units redeemed | | | | |
| 99,414 | | | 38,189 | 45,958 |
| Net increase during the year | 100,043 | | 34,588 | 44,072 |
| Net assets, end of year | \$ 134,631 | | \$ 34,588 | \$ 44,072 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF NET ASSETS
AS AT JANUARY 2, 1998

(\$ Thousands)

| | MANAGED INTERNATIONAL EQUITY FUND (notes 1, 7) 1998 | | PASSIVE INTERNATIONAL EQUITY FUND (notes 1, 7) 1998 | | EUROPEAN INDEXED EQUITY FUND (notes 1, 7) 1997 | |
|--|---|------------|---|-----------|--|----------------|
| | \$ | 214 | \$ | 78 | \$ | 833,599 |
| Investments at market value | | | | | | |
| Cash | \$ | - | \$ | - | \$ | - |
| Receivable from sale of investments | | 105,789 | | 2,178 | | 15,103 |
| Accrued investment income | | 28,160 | | 224 | | 173 |
| Withholding taxes receivable | | 2,590 | | 731 | | 739 |
| | | 382 | | 113 | | 179 |
| Total assets | | 214 | | 78 | | 593,295 |
| Payable for investments purchased | | | | | | |
| External management fees payable | | | | | | |
| Custodial fees payable | | | | | | |
| Total liabilities | | 214 | | 78 | | 599,489 |
| Net assets representing unitholders' equity | | | | | | |
| Number of units outstanding (note 15) | | | | | | |
| Net asset value per unit | | | | | | |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JANUARY 2, 1998

(\$ Thousands)

| | MANAGED INTERNATIONAL EQUITY FUND (notes 1, 7) | | PASSIVE INTERNATIONAL EQUITY FUND (notes 1, 7) | | EUROPEAN INDEXED EQUITY FUND (notes 1, 7) | |
|--|---|----------|---|-----------|--|-------------------|
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 |
| Net assets, beginning of year | \$ 1,928,525 | | \$ 1,523,260 | | \$ 836,540 | |
| Changes during the year: | | | | | | |
| Operations: | | | | | | |
| Income: | | | | | | |
| Investment income | | 38,890 | | | 26,290 | |
| Expenses (note 10): | | | | | | |
| External management fees | | 7,526 | | - | 398 | - |
| Custodial fees | | 855 | | - | 384 | - |
| | | 8,381 | | - | 782 | - |
| Net investment income | | 30,509 | | - | 25,508 | - |
| Net realized gain on sale of investments | 179,558 | 129,190 | 41,808 | 169,500 | 12,899 | 57 |
| Change in unrealized appreciation (depreciation) of investments | (179,558) | (32,395) | (41,808) | (122,746) | (12,899) | 9,566 |
| | | 127,304 | | 72,262 | | 10,785 |
| Capital transactions: | | | | | | |
| Proceeds from units issued | | | | | 62,885 | |
| Amounts paid for units redeemed | | | | | (771,064) | |
| | | 329,800 | | (836,540) | (599,339) | |
| | | (51,839) | | (836,540) | (599,339) | |
| | | 277,961 | | (836,540) | (599,339) | |
| | | | | | | 598,554 |
| Net increase (decrease) during the year | | 405,285 | | (836,540) | (635,917) | 599,339 |
| | | | | | | |
| | | | | | \$ 836,540 | |
| | | | | | | |
| Net assets, end of year | \$ 1,928,525 | | | | | \$ 599,339 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF NET ASSETS
AS AT DECEMBER 31, 1998

(\$ Thousands)

| | ASIAN EQUITY FUND <u>1998 (note 1)</u> | EUROPEAN EQUITY FUND <u>1998 (note 1)</u> | INTERNATIONAL EQUITY FUND <u>1998 (note 1)</u> |
|--|--|---|--|
| Investments at market value | | | |
| Cash | \$ 137,579 | \$ 1,375,890 | \$ 2,304,454 |
| Receivable from sale of investments (note 8) | 4,863 | 9,989 | 40,402 |
| Accrued investment income | - | 334 | 4,075 |
| Withholding taxes receivable | 62 | 1,321 | 2,050 |
| | <u>2</u> | <u>421</u> | <u>559</u> |
| Total assets | 142,506 | 1,387,955 | 2,351,540 |
| Payable for investments purchased (note 9) | | | |
| External management fees payable | 159 | 1,418 | 13,306 |
| Custodial fees payable | 21 | 132 | 1,388 |
| | <u>180</u> | <u>1,550</u> | <u>14,890</u> |
| Total liabilities | <u>142,326</u> | <u>1,386,405</u> | <u>\$ 2,336,650</u> |
| Net assets representing unitholders' equity | <u>129,958</u> | <u>1,021,653</u> | <u>1,875,842</u> |
| Number of units outstanding (note 15) | | | |
| Net asset value per unit | \$ 1,095 | \$ 1,357 | \$ 1,246 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE PERIOD ENDED DECEMBER 31, 1998

(\$ Thousands)

| | ASIAN EQUITY FUND 1998 (notes 1, 7) | EUROPEAN EQUITY FUND 1998 (notes 1, 7) | INTERNATIONAL EQUITY FUND 1998 (notes 1, 7) |
|---|---|--|---|
| Net assets, beginning of year | \$ - | \$ - | \$ - |
| Changes during the year: | | | |
| Operations: | | | |
| Income: | | | |
| Investment income | 2,977 | 25,087 | 43,714 |
| Expenses (note 10): | | | |
| External management fees | 623 | 2,923 | 5,084 |
| Custodial fees | 90 | 514 | 739 |
| | <u>713</u> | <u>3,437</u> | <u>5,823</u> |
| Net investment income | 2,264 | 21,650 | 37,891 |
| Net realized gain (loss) on sale of investments | (2,191) | 88,425 | 55,225 |
| Change in unrealized appreciation of investments | <u>12,295</u> | <u>249,901</u> | <u>385,985</u> |
| | <u>12,368</u> | <u>359,976</u> | <u>- 479,101</u> |
| Capital transactions: | | | |
| Proceeds from units issued | 129,958 | 1,399,205 | 2,004,094 |
| Amounts paid for units redeemed | | <u>(372,776)</u> | <u>(146,545)</u> |
| | <u>129,958</u> | <u>1,026,429</u> | <u>1,857,549</u> |
| Net increase during the year | <u>142,326</u> | <u>1,386,405</u> | <u>2,336,650</u> |
| Net assets, end of year | <u>\$ 142,326</u> | <u>\$ 1,386,405</u> | <u>\$ 2,336,650</u> |

**PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENTS
STATEMENTS OF INVESTMENTS
AS AT DECEMBER 31, 1986**

(\$ Thousands)

| | CANADIAN CORPORATE BOND FUND | | | SHORT TERM BOND FUND | | | PENSION BOND FUND | | |
|---|---------------------------------|----------------------------|----------------------|----------------------------|----------------------------|----------------------|----------------------------|----------------------------|----------------------|
| | Amortized Cost | Market Value | % of Total | Amortized Cost | Market Value | % of Total | Amoritized Cost | Market Value | % of Total |
| Bonds | | | | | | | | | |
| Obligations of, or guaranteed by, Canada | \$ - | \$ - | - | \$ 816,676 | \$ 822,473 | 65.70 | \$ 5,830,648 | \$ 6,214,624 | 65.00 |
| Obligations of, or guaranteed by, the Province of British Columbia | - | - | - | - | - | - | 316,813 | 336,898 | 3.53 |
| Obligations of, or guaranteed by, other provinces | - | - | - | 363,099 | 368,852 | 29.46 | 2,758,088 | 2,964,570 | 31.00 |
| Obligations of Canadian municipalities | - | - | - | 44,431 | 42,851 | 3.42 | 8,513 | 9,205 | 0.10 |
| Debentures issued by corporations incorporated under the laws of Canada or a province | <u>1,231,663</u> | <u>1,272,137</u> | <u>98.70</u> | <u>1,224,206</u> | <u>1,234,176</u> | <u>98.58</u> | <u>8,916,062</u> | <u>9,525,297</u> | <u>99.63</u> |
| Short Term Investments | | | | | | | | | |
| Units in Province of British Columbia Pooled Investment Portfolio Fund ST1 | <u>16,812</u> | <u>16,812</u> | <u>1.30</u> | <u>17,743</u> | <u>17,744</u> | <u>1.42</u> | <u>35,263</u> | <u>35,264</u> | <u>0.37</u> |
| Total Investments | <u>\$ 1,248,475</u> | <u>\$ 1,288,949</u> | <u>100.00</u> | <u>\$ 1,241,949</u> | <u>\$ 1,251,920</u> | <u>100.00</u> | <u>\$ 8,951,325</u> | <u>\$ 9,560,561</u> | <u>100.00</u> |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
 STATEMENT OF INVESTMENTS
 AS AT DECEMBER 31, 1998

(\$ Thousands)

| | REALPOOL | | |
|--|----------------------------|----------------------------|----------------------|
| | INVESTMENT FUND | | % of Total |
| | Depreciated Cost | Market Value | |
| Real Estate Investments | | | |
| Retail | \$ 277,492 | \$ 330,546 | 12.63 |
| Office and mixed use | 631,539 | 895,386 | 34.21 |
| Industrial | 341,001 | 380,617 | 14.54 |
| Parking | 7,015 | 15,250 | 0.59 |
| Residential | 626,574 | 729,975 | 27.89 |
| Property held for/under development | 178,220 | 204,198 | 7.80 |
| Deferred leasing and building improvement costs (note 3a) | <u>80,444</u> | <u>2,555,972</u> | <u>97.66</u> |
| Short Term Investments | | | |
| Obligations of, or guaranteed by, Canada | 884 | 884 | 0.03 |
| Units in Province of British Columbia Pooled Investment Portfolio Fund ST2 | <u>60,514</u> | <u>60,533</u> | <u>2.31</u> |
| | <u>61,398</u> | <u>61,417</u> | <u>2.34</u> |
| Total Investments | <u><u>\$ 2,203,683</u></u> | <u><u>\$ 2,617,389</u></u> | <u><u>100.00</u></u> |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENTS
 STATEMENTS OF INVESTMENTS
 AS AT DECEMBER 31, 1998

(\$ Thousands)

| | FIXED TERM MORTGAGE FUND | | | CONSTRUCTION MORTGAGE FUND | | |
|--|-----------------------------|-------------------|---------------|-------------------------------|-------------------|---------------|
| | Cost | Market Value | % of Total | Cost | Market Value | % of Total |
| | | | | | | |
| Mortgages | | | | | | |
| Retail | \$ 124,588 | \$ 128,053 | 15.09 | \$ 2,382 | \$ 2,427 | 1.18 |
| Office | 197,309 | 199,467 | 23.50 | 4,029 | 4,029 | 1.95 |
| Industrial | 54,689 | 56,282 | 6.63 | 12,523 | 12,523 | 6.09 |
| Residential | 434,382 | 441,051 | 51.96 | 179,637 | 179,665 | 87.23 |
| Other | 6,452 | 6,585 | 0.78 | 1,439 | 1,439 | 0.70 |
| | <u>817,420</u> | <u>831,438</u> | <u>97.96</u> | <u>200,010</u> | <u>200,083</u> | <u>97.15</u> |
| Short Term Investments | | | | | | |
| Units in Province of British Columbia Pooled Investment Portfolio Fund ST1 | <u>17,323</u> | <u>17,323</u> | <u>2.04</u> | <u>5,873</u> | <u>5,873</u> | <u>2.85</u> |
| Total Investments | \$ 834,743 | \$ 848,761 | 100.00 | \$ 205,883 | \$ 205,956 | 100.00 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
 STATEMENTS OF INVESTMENTS
 AS AT DECEMBER 31, 1996

(\$ Thousands)

| | PRIVATE PLACEMENT FUND 1995 | | | PRIVATE PLACEMENT FUND 1996 | | |
|--|-----------------------------|------------------|---------------|-----------------------------|------------------|---------------|
| | Cost | Market Value | % of Total | Cost | Market Value | % of Total |
| | | | Total | | | Total |
| Private Placements | \$ 56,999 | \$ 66,843 | 87.24 | \$ 78,710 | \$ 82,705 | 98.58 |
| Short Term Investments | | | | | | |
| Units in Province of British Columbia Pooled Investment Portfolio Fund ST1 | | | | | | |
| Fund ST2 | 60 | 61 | 0.08 | 22 | 22 | 0.03 |
| Fund ST3 | <u>1,120</u> | <u>1,139</u> | <u>1.49</u> | <u>526</u> | <u>530</u> | <u>0.63</u> |
| | <u>9,757</u> | <u>9,778</u> | <u>12.76</u> | <u>1,187</u> | <u>1,191</u> | <u>1.42</u> |
| Total Investments | \$ 66,756 | \$ 76,621 | 100.00 | \$ 79,897 | \$ 83,896 | 100.00 |

**PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENTS
STATEMENTS OF INVESTMENTS
AS AT DECEMBER 31, 1998**

(\$ Thousands)

| | PRIVATE PLACEMENT FUND 1997 | | PRIVATE PLACEMENT FUND 1998 | |
|--------------------|-----------------------------|--------------|-----------------------------|--------------|
| | Cost | Market Value | % of Total | Market Value |
| | | | Cost | |
| Private Placements | \$ 136,660 | \$ 134,748 | 99.87 | \$ 45,769 |
| | | | | \$ 43,940 |
| | | | | 99.58 |

| Short Term Investments | | | | |
|--|------------|------------|--------|-----------|
| Units in Province of British Columbia Pooled Investment Portfolio | | | | |
| Fund ST1 | 12 | 13 | 0.01 | 184 |
| Fund ST3 | 152 | 161 | 0.12 | - |
| | 164 | 174 | 0.13 | 184 |
| Total Investments | \$ 136,624 | \$ 134,922 | 100.00 | \$ 44,124 |
| | | | | 100.00 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF INVESTMENTS
AS AT DECEMBER 31, 1998

(\$ Thousands)

| | ASIAN EQUITY FUND | | | EUROPEAN EQUITY FUND | | |
|--|-------------------|-------------------|---------------|----------------------|---------------------|---------------|
| | Average Cost | Market Value | % of Total | Average Cost | Market Value | % of Total |
| Equity Investments | | | | | | |
| Australia | \$ 21,048 | \$ 24,984 | 16.16 | \$ 7,845 | \$ 7,414 | 0.54 |
| Austria | - | - | - | 12,440 | 19,516 | 1.42 |
| Belgium | - | - | - | 13,068 | 15,695 | 1.14 |
| Denmark | - | - | - | 14,726 | 26,790 | 1.95 |
| Finland | - | - | - | 143,993 | 183,802 | 13.35 |
| France | - | - | - | 166,379 | 196,027 | 14.25 |
| Germany | 12,612 | 13,343 | 9.70 | - | - | - |
| Hong Kong | 350 | 428 | 0.31 | - | - | - |
| Indonesia | - | - | - | 3,536 | 4,406 | 0.32 |
| Ireland | - | - | - | 70,139 | 92,243 | 6.71 |
| Italy | 69,062 | 78,183 | 56.83 | 3 | 3 | - |
| Japan | 2,929 | 1,960 | 1.42 | - | - | - |
| Malaysia | - | - | - | 101,435 | 124,148 | 9.02 |
| Netherlands | 2,662 | 2,854 | 2.08 | - | - | - |
| New Zealand | - | - | - | 6,069 | 4,841 | 0.35 |
| Norway | 2,289 | 2,721 | 1.97 | - | - | - |
| Philippines | - | - | - | 11,840 | 10,929 | 0.80 |
| Portugal | 8,094 | 8,543 | 6.21 | - | - | - |
| Singapore | 2,982 | 3,643 | 2.80 | - | - | - |
| South Korea | - | - | - | 41,927 | 57,388 | 4.17 |
| Spain | - | - | - | - | 49,987 | 59,547 |
| Sweden | - | - | - | - | 131,803 | 162,529 |
| Switzerland | 372 | 360 | 0.26 | - | - | 11.82 |
| Thailand | - | - | - | 335,561 | 395,809 | 28.76 |
| United Kingdom | 122,400 | 137,219 | 98.74 | 1,110,731 | 1,361,087 | 98.92 |
| Short Term Investments | | | | | | |
| Units in Province of British Columbia Pooled Investment Portfolio Fund ST1 | 360 | 360 | 0.26 | - | 14,803 | 1.08 |
| Total Investments | \$ 122,760 | \$ 137,579 | 100.00 | \$ 1,125,533 | \$ 1,375,890 | 100.00 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENT OF INVESTMENTS
AS AT DECEMBER 31, 1998

(\$ Thousands)

| | INTERNATIONAL EQUITY FUND | | |
|---------------------------|--------------------------------------|-------------------------|-----------------------|
| | Average Cost | Market Value | % of Total |
| Equity Investments | | | |
| Argentina | \$ 6,403 | \$ 6,753 | 0.29 |
| Australia | 96,880 | 114,736 | 4.98 |
| Austria | 3,054 | 3,260 | 0.14 |
| Belgium | 15,787 | 21,375 | 0.93 |
| Bermuda | 2,586 | 2,431 | 0.11 |
| Brazil | 1,715 | 1,278 | 0.05 |
| Canada | 18,420 | 18,759 | 0.82 |
| Chile | 2,271 | 1,741 | 0.07 |
| Denmark | 17,490 | 19,307 | 0.84 |
| Finland | 14,668 | 34,786 | 1.51 |
| France | 175,505 | 227,060 | 9.85 |
| Germany | 154,611 | 199,525 | 8.66 |
| Greece | 1,847 | 2,157 | 0.09 |
| Hong Kong | 47,005 | 45,506 | 1.98 |
| Hungary | 1,234 | 1,515 | 0.06 |
| India | 1,946 | 1,136 | 0.05 |
| Indonesia | 4,404 | 4,225 | 0.19 |
| Ireland | 9,643 | 11,959 | 0.52 |
| Israel | 3,885 | 5,278 | 0.22 |
| Italy | 66,351 | 96,846 | 4.21 |
| Japan | 317,980 | 372,119 | 16.15 |
| Malaysia | 20,625 | 15,777 | 0.68 |
| Mexico | 2,252 | 1,576 | 0.07 |
| Netherlands | 126,763 | 164,904 | 7.15 |
| New Zealand | 28,098 | 24,743 | 1.08 |
| Norway | 6,235 | 6,197 | 0.27 |
| Philippines | 19 | 26 | - |
| Portugal | 8,328 | 10,399 | 0.45 |
| Singapore | 34,975 | 36,911 | 1.60 |
| South Korea | 1,716 | 3,112 | 0.14 |
| Spain | 54,307 | 80,385 | 3.48 |
| Sweden | 54,648 | 68,969 | 3.00 |
| Switzerland | 120,543 | 150,209 | 6.52 |
| Taiwan | 5,388 | 5,230 | 0.22 |
| Thailand | 5,027 | 6,036 | 0.26 |
| United Kingdom | 417,506 | 486,982 | 21.14 |
| United States | 387 | 275 | 0.01 |
| | <u>1,850,502</u> | <u>2,253,483</u> | <u>97.79</u> |

Short Term Investments

| | | | |
|--|---------------------|---------------------|---------------|
| Units in Province of British Columbia Pooled Investment Portfolio Fund ST1 | 259 | 259 | 0.01 |
| Obligations of, or guaranteed by, Canada, or savings institutions | <u>51,271</u> | <u>50,712</u> | <u>2.20</u> |
| | <u>51,530</u> | <u>50,971</u> | <u>2.21</u> |
| Total Investments | \$ 1,902,032 | \$ 2,304,454 | 100.00 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

1. The Portfolios

The Financial Administration Act, Section 43, subsection 1, authorizes the Minister of Finance and Corporate Relations to establish and operate pooled investment portfolios "... in which the money from trust funds, special funds or other funds, other public money and the money of government bodies and designated institutions may be combined in common for the purpose of investment by means of investment units of participation in a pooled investment portfolio."

Section 41, subsection 1, delegates the investment powers, duties and functions of the Minister of Finance and Corporate Relations with respect to the funds and monies to the Chief Investment Officer.

The portfolios consist of investments, authorized by Section 40, subsections 1, 4 and 6, and Section 43, subsection 8, of the Financial Administration Act.

The Canadian Corporate Bond Fund was established on July 25, 1991, and invests primarily in Canadian corporate debentures.

The Short Term Bond Fund was established on November 1, 1995, and invests primarily in bonds which are issued or guaranteed by the government of Canada or a provincial government. The bonds have a maturity date of less than ten years.

The Pension Bond Fund was established on January 1, 1995, and invests primarily in bonds issued or guaranteed by the government of Canada or a provincial government.

The Realpool Investment Fund was established on July 3, 1991, and invests primarily in diversified Canadian income-producing properties through wholly-owned corporations.

The Fixed Term Mortgage Fund was established on June 30, 1995, and invests primarily in Canadian commercial and multi-family mortgage products.

The Construction Mortgage Fund was established on December 1, 1995, and invests primarily in Canadian construction mortgages.

The Private Placement Funds 1995, 1996, 1997 and 1998 were established on October 25, 1995, March 20, 1996, March 12, 1997, and March 13, 1998, respectively. Private placement investments are long term in nature, and are generally made in partnership with other investors, outside the structure of public markets. The funds invest primarily in debt and equity investments in domestic and international companies at various stages of development, and are generally related to venture capital, buy-out financing or expansion and development financing.

The Managed International Equity Fund was established on May 1, 1991, and invests primarily in common shares of companies in principal market regions in Europe, Australia, and the Far East (EAFE), with diversified investments extending beyond the companies that comprise the Morgan Stanley EAFE Index. On January 2, 1998, there was a restructuring of this pooled investment portfolio (see note 7).

The Passive International Equity Fund was established on May 1, 1991, and invests primarily in the common shares of companies that comprise the Morgan Stanley EAFE Index. On January 2, 1998, there was a restructuring of this pooled investment portfolio (see note 7).

The European Indexed Equity Fund was established on December 1, 1997, and invests primarily in the common shares of companies that comprise the Morgan Stanley Capital International Europe Free Composite Index. On January 2, 1998, there was a restructuring of this pooled investment portfolio (see note 7).

The Asian Equity Fund was established on January 2, 1998, and invests primarily in the common shares of companies that comprise the Morgan Stanley Capital International Pacific Basin Index. The establishment of the Fund was through the restructuring of three pooled investment portfolios (see note 7).

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

1. The Portfolios (Continued)

The European Equity Fund was established on January 2, 1998, and invests primarily in the common shares of companies that comprise the Morgan Stanley Capital International Europe Free Composite Index. The establishment of the Fund was through the restructuring of three pooled investment portfolios (see note 7).

The International Equity Fund was established on January 2, 1998, and invests primarily in the common shares of companies that comprise the Morgan Stanley Capital International EAFE Composite Index. The establishment of the Fund was through the restructuring of three pooled investment portfolios (see note 7).

Participation in each portfolio is expressed in units, each unit giving its holder a proportionate share in net assets. Unitholders may only acquire and redeem units on respective valuation dates. The value of a unit is \$1 million on establishment, and on subsequent valuation dates is determined by dividing the market value of the net assets of the portfolio by the total number of units outstanding.

The number of portfolio units available for issue is unlimited, except for the Private Placement Funds. The Private Placement Funds are closed-end funds, which were limited in participation to a prescribed set of unitholders at the time the funds were established. Each of these unitholders own a specific percentage of a fund.

2. Principle of Consolidation

The corporations of the Realpool Investment Fund are consolidated with the parent accounts after adjusting them to a basis consistent with the accounting policies described below. Inter-organization accounts and transactions are eliminated upon consolidation.

3. Significant Accounting Policies

a) Valuation of Investments

Short term investments are valued at market derived from external quotations. Securities listed on a stock exchange are valued at their closing sale price. Securities not traded on the valuation date are valued at the mean price between the latest bid and asked price. Securities not listed on any stock exchange, or which are traded over-the-counter, are valued in the same manner based on available public quotations from recognized dealers in such securities or at the price estimated by the fund manager to be the fair value.

Real estate properties are reported at appraised values and are required to be appraised no more frequently than every ten months and no less frequently than every 18 months by professionally qualified independent appraisers. All properties are valued at the end of each quarter by the investment analysis staff of the respective corporations. Historical cost information is maintained and is presented in the statement of investments. Accounting policies for historical costs are as follows: depreciation on buildings is provided on a straight-line basis over the expected life of the property not to exceed a 40 year period. Leasing and building improvement costs are capitalized and amortized over the period during which the costs are expected to be recovered. For development properties only, operating costs, certain indirect costs and property taxes are also capitalized. Investments in real estate co-ownership are accounted for by the proportionate consolidation method.

Mortgages are valued by an independent external source.

Private placement investments are valued by the external managers, on a quarterly basis, at their estimates of fair value. Fair value is defined as the expected realization if investments were disposed of in an orderly distribution over a reasonable period of time. These valuations are reviewed and approved by management.

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

3. Significant Accounting Policies (Continued)

- b) **Measurement Uncertainty**
- Financial statements prepared in conformity with generally accepted accounting principles require management to make certain estimates and assumptions which can affect the reported balances. In determining the market value of some of its investments, particularly real estate and private placements, management relies on external appraisers' or fund managers' assumptions regarding investment industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. By nature, these asset valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the reported market values may change by a material amount.
- c) **Investment Transactions and Income**
- Investment transactions are accounted for on the trade date basis, except for real estate, mortgages and private placements which are recorded on the closing date. Dividend income is recognized on the ex-dividend date, and interest income on the accrual basis. Rental income is recorded net of property-related expenses. Income on foreign investments is reported net of withholding tax expense. Realized gains and losses and unrealized appreciation or depreciation of investments are calculated based on cost for private placements, average cost for equities, depreciated cost for real estate, and amortized cost for money market securities, bonds and mortgages. The amortized cost is the cost of acquisition adjusted by amortization of discounts and premiums on a true constant yield basis over the terms of the investments for money market securities and bonds, and on a straight line basis for mortgages.
- d) **Foreign Currency Translation**
- Assets, liabilities and commitments in foreign currencies are translated into Canadian dollars at the fiscal year-end exchange rate. Purchases and sales of investments are translated at the rate prevailing on the respective dates of such transactions. Income is translated at the month-end rate. Realized and unrealized gains and losses include foreign currency translations.
- 4. Risk Management**
- In general, all pooled investment portfolios are exposed to price risk and credit risk. There are three types of price risk: currency risk, interest rate risk and market risk. Currency risk relates to the possibility that investments may change in value due to future changes in foreign exchange rates. Interest rate risk relates to the possibility that investments may change in value due to future changes in market interest rates. Market risk relates to the possibility that investments may change in value due to future changes in market prices. Credit risk relates to the possibility that a loss may occur if another party fails to discharge an obligation, in order to avoid undue investment risk, the Office of the Chief Investment Officer has established specific investment criteria for each pooled investment portfolio, such as minimum credit ratings for investees and counterparties, and investment diversification requirements. There is no undisclosed exposure in the funds' investments.
- 5. Other Assets**
- Other assets include loans receivable totalling \$1,984,122 (1997: \$4,598,333).

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

6. Mortgages and Other Payables

As at December 31, 1998, the Resipool Investment Fund has mortgages payable bearing interest at rates ranging from 0.00% to 10.875% and mature at various dates to the year 2012. Principal repayments due are as follows:

| | |
|-----------------------------------|----------------|
| 1999 | \$ 99,599,555 |
| 2000 | 24,677,394 |
| 2001 | 102,908,890 |
| 2002 | 63,628,088 |
| 2003 and subsequent | 228,698,224 |
| | <hr/> |
| Plus: | |
| Unamortized premium | 7,602,198 |
| Net unrealized increase in value | 6,165,130 |
| | <hr/> |
| Market value of mortgages payable | 13,767,328 |
| | <hr/> |
| | \$ 533,479,462 |

Other payables include accounts payable and accrued liabilities of \$43,562,003 (1997: \$25,755,702) and rent received in advance and deposits of \$12,151,186 (1997: \$8,680,819).

7. Restructuring of Pooled Investment Portfolios

On January 2, 1998, there was a restructuring of three pooled investment portfolios. Almost all the assets and liabilities of the Managed International Equity Fund (MIE), the Passive International Equity Fund (PIE) and the European Indexed Equity Fund (EIE) were transferred at market value to three new pooled investment portfolios, namely the Asian Equity Fund, the European Equity Fund and the International Equity Fund. In March 1998, the investments remaining in MIE and PIE were liquidated to settle outstanding custodial fees. MIE, PIE and EIE were then wound up.

The Asian Equity Fund was established on January 2, 1998, by purchasing \$130.0 million of net assets from MIE. The European Equity Fund was established on January 2, 1998, by purchasing \$66.4 million of net assets from MIE and \$69.3 million of net assets from EIE. The International Equity Fund was established on January 2, 1998, by purchasing \$1,152.2 million of net assets from MIE and \$536.5 million of net assets from PIE.

The unitholders of MIE, PIE and EIE had their unit holdings redeemed on January 2, 1998. They were then issued pro-rata units of ownership in the three new pooled investment portfolios.

Comparative figures for MIE, PIE and EIE on the statements of net assets are as at December 31, 1997, and on the statements of changes in net assets are for the year ended December 31, 1997.

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

8. **Receivable from Sale of Investments**

For the European Equity Fund, the amount receivable from sale of investments is a net unrealized gain based on foreign currency exchange rates as at December 31, 1998, for 20 forward currency contracts. These were closed out with offsetting forward currency contracts settling in January 1999.
9. **Payable for Investments Purchased**

For the International Equity Fund, the amount payable for investments purchased includes a net unrealized loss of \$5,498,993 based on foreign currency exchange rates as at December 31, 1998, for 21 forward currency contracts. These were closed out with offsetting forward currency contracts settling in January and March, 1999.
10. **Expenses**

Custodial fees are applicable to the bond funds and the equity funds. The mortgage funds pay mortgage servicing and brokerage fees. Management fees are paid by the Realpool Investment Fund and the equity funds to external managers for providing investment management and advisory services. For the private placement funds, in most cases, management fees are expenses of the various partnership investments - not of the funds. Where management fees were incurred directly by the funds, these are reported on the financial statements. Brokerage fees are incorporated into the cost and proceeds of equity and bond transactions.
11. **Related Party Transactions**

All inter-portfolio transactions are conducted at market value.
12. **Commitments**

Included in the investments of the Fixed Term Mortgage Fund are mortgages receivable from the Realpool Investment Fund with a market value of \$101,203,998 (1997: \$100,776,919).

External managers of the wholly-owned corporations of the Realpool Investment Fund were paid property management fees of \$6,120,890 (1997: \$5,745,025).

Direct administration costs are paid from the pooled investment portfolios, whereas indirect costs are borne by the Minister of Finance and Corporate Relations. The Minister recovers these costs by charging the unitholders a management fee. This fee is calculated based on the market value of the unitholders' investment holdings administered by the Office of the Chief Investment Officer.

Wholly-owned corporations of the Realpool Investment Fund have property purchase commitments totalling \$190.7 million. The Fixed Term Mortgage Fund and the Construction Mortgage Fund have commitments for mortgage contracts totalling approximately \$68.6 million and \$206.1 million, respectively. Private Placement Funds 1995, 1996, 1997 and 1998 have commitments for investment contracts totalling approximately \$42.5 million, \$51.4 million, \$506.9 million and \$258.5 million respectively.

**PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

13. Uncertainty due to the Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

14. Subsequent Event

On July 15, 1999, the Legislative Assembly of the Province of British Columbia passed Bill 95, the Public Sector Pension Plans Act. The Act establishes the British Columbia Investment Management Corporation as a trust company authorized to carry on trust business and investment management services. It is anticipated that effective January 1, 2000, the corporation will replace the Office of the Chief Investment Officer as the body responsible for managing the pooled investment portfolios. Each portfolio established under B.C. Reg. 84/86, the Pooled Investment Portfolios Regulation, is continued under this Act and the regulations. All assets held under or in a portfolio by the Minister of Finance and Corporate Relations or the Chief Investment Officer under the Financial Administration Act immediately before January 1, 2000, must continue to be held under or in the portfolio, in trust, by the corporation. Each participating fund allocated units of a portfolio immediately before January 1, 2000, must continue to be allocated those units of the portfolio with the corporation holding those units as agent for the participating fund.

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

15. Units Outstanding

The following is a summary of the changes in units outstanding during the year:

| | CANADIAN CORPORATE BOND FUND | | PENSION BOND FUND | | CONSTRUCTION MORTGAGE FUND | | PRIVATE PLACEMENT FUND | |
|--------------------------------|-------------------------------------|------------------|------------------------------------|----------------|------------------------------------|------------------|------------------------------------|-------------|
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 |
| Outstanding, beginning of year | 559,314 | 269,566 | 871,128 | 956,962 | 5,771,694 | 6,037,526 | | |
| Issued | 0,380 | 289,748 | 628,268 | 515,712 | 6,239,938 | 428,146 | | |
| Redeemed | - | - | (492,647) | (601,546) | (6,058,455) | (693,978) | | |
| Outstanding, end of year | <u>559,694</u> | <u>559,314</u> | <u>1,006,749</u> | <u>871,128</u> | <u>5,953,177</u> | <u>5,771,694</u> | | |
| | | | | | | | | |
| | REALPOOL INVESTMENT FUND | | FIXED TERM MORTGAGE FUND | | CONSTRUCTION MORTGAGE FUND | | PRIVATE PLACEMENT FUND | |
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 |
| Outstanding, beginning of year | 1,072,640 | 966,740 | 354,641 | 110,908 | 148,066 | 66,705 | | |
| Issued | 77,938 | 256,241 | 248,778 | 270,100 | 48,280 | 119,286 | | |
| Redeemed | (27,480) | (150,341) | - | (26,367) | (32,608) | (37,925) | | |
| Outstanding, end of year | <u>1,123,098</u> | <u>1,072,640</u> | <u>603,419</u> | <u>354,641</u> | <u>163,738</u> | <u>148,066</u> | | |
| | | | | | | | | |
| | PRIVATE PLACEMENT FUND 1995 | | PRIVATE PLACEMENT FUND 1996 | | PRIVATE PLACEMENT FUND 1997 | | PRIVATE PLACEMENT FUND 1998 | |
| | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 | 1998 | 1997 |
| Outstanding, beginning of year | 42,023 | 28,382 | 49,311 | 12,523 | 39,182 | | | |
| Issued | 7,319 | 13,641 | 28,137 | 36,788 | 80,238 | 39,182 | | |
| Redeemed | - | - | - | - | - | - | | |
| Outstanding, end of year | <u>49,342</u> | <u>42,023</u> | <u>77,448</u> | <u>49,311</u> | <u>119,420</u> | <u>39,182</u> | | |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 1998

15. Units Outstanding (Continued)

| | | PRIVATE PLACEMENT FUND 1998 | | MANAGED INTERNATIONAL EQUITY FUND | | PASSIVE INTERNATIONAL EQUITY FUND | |
|--------------------------------|---------------|------------------------------|----------|-----------------------------------|----------------|-----------------------------------|---------|
| | | 1998 (note 1) | | 1998 (note 1) | 1997 | 1998 (note 1) | 1997 |
| Outstanding, beginning of year | - | - | | 921,369 | 777,020 | 411,771 | 772,619 |
| Issued | 45,958 | - | | - | 169,378 | - | 33,075 |
| Redeemed | - | (921,369) | | (25,029) | (411,771) | (393,923) | |
| Outstanding, end of year | <u>45,958</u> | - | | <u>921,369</u> | - | <u>411,771</u> | |
| | | EUROPEAN INDEXED EQUITY FUND | | ASIAN EQUITY FUND | | EUROPEAN EQUITY FUND | |
| | | 1998 (note 1) | 1997 | 1998 (note 1) | | 1998 (note 1) | |
| Outstanding, beginning of year | 588,554 | - | | 588,554 | 129,958 | 1,375,036 | |
| Issued | - | | | - | - | (353,383) | |
| Redeemed | (588,554) | - | | (588,554) | (129,958) | 1,021,653 | |
| Outstanding, end of year | <u>-</u> | <u>-</u> | <u>-</u> | <u>588,554</u> | <u>129,958</u> | <u>1,021,653</u> | |
| | | INTERNATIONAL EQUITY FUND | | | | | |
| | | 1998 (note 1) | | 1998 (note 1) | | 1998 (note 1) | |
| Outstanding, beginning of year | - | | | 2,002,563 | | | |
| Issued | | | | (126,721) | | | |
| Redeemed | | | | | | 1,875,842 | |
| Outstanding, end of year | | | | | | | |

Province of British Columbia Pooled Investment Portfolios

Group of Funds

**Canadian Money Market Fund ST1
Canadian Money Market Fund ST2
U.S. Dollar Money Market Fund ST3**

**Indexed Government Bond Fund
Long Term Bond Fund
British Columbia Focus Fund**

**Indexed Canadian Equity Fund
Active Canadian Equity Fund
TSE 100 Index Equity Fund**

**Active U.S. Equity Fund
S & P 500 Index Equity Fund
U.S. Index Enhanced Equity Fund**

Financial Statements

For the year ended March 31, 1999



Ministry of Finance and Corporate Relations



Report of the Auditor General of British Columbia



To the Minister of Finance and Corporate Relations,
Province of British Columbia:

I have audited the statements of net assets of the Province of British Columbia Pooled Investment Portfolios, being the:

- Fund ST1,
- Fund ST2,
- Fund ST3,
- Long Term Bond Fund,
- Indexed Canadian Equity Fund,
- TSE 100 Index Equity Fund,
- S & P 500 Index Equity Fund, and
- U.S. Index Enhanced Equity Fund
- Active Canadian Equity Fund,
- Active U.S. Equity Fund,
- British Columbia Focus Fund
- Active Government Bond Fund,

as at March 31, 1999, the statements of changes in net assets for the year then ended (Long Term Bond Fund for the period February 1, 1999 to March 31, 1999 and U.S. Index Enhanced Equity Fund for the period September 1, 1998 to March 31, 1999) and the statements of investments as at March 31, 1999. These financial statements are the responsibility of the Portfolios' management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position and investments of the Fund ST1, Fund ST2, Fund ST3, Indexed Government Bond Fund, Long Term Bond Fund, British Columbia Focus Fund, Indexed Canadian Equity Fund, Active Canadian Equity Fund, TSE 100 Index Equity Fund, Active U.S. Equity Fund, S & P 500 Index Equity Fund, and U.S. Index Enhanced Equity Fund as at March 31, 1999 and the changes in fund net assets for the year then ended (Long Term Bond Fund for the period February 1, 1999 to March 31, 1999 and U.S. Index Enhanced Equity Fund for the period September 1, 1998 to March 31, 1999) in accordance with generally accepted accounting principles.

George Z. Doychik
Victoria, British Columbia

August 13, 1999



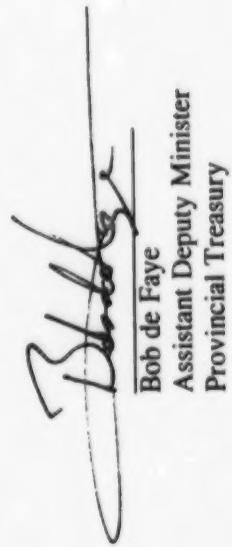
Province of British Columbia Pooled Investment Portfolios

STATEMENT OF RESPONSIBILITY

To the Minister of Finance and Corporate Relations:

Responsibility for the integrity, objectivity and the preparation of the accompanying financial statements rests with the management of the Provincial Treasury. These statements are prepared in accordance with generally accepted accounting principles consistently applied and include some amounts that are based on best estimates and judgements. Systems of internal controls are in place to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained to provide reliable financial statements.

The Auditor General of the Province of British Columbia conducts an independent examination, in accordance with generally accepted auditing standards, and provides an independent professional opinion on the financial statements.



Bob de Faye
Assistant Deputy Minister
Provincial Treasury



Cleve McIsberry
Director
Banking/Cash Management
Provincial Treasury

Victoria, British Columbia
August 13, 1999

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
 STATEMENTS OF NET ASSETS
 AS AT MARCH 31, 1999

(\$ Thousands)

| | FUND ST1 1999 | FUND ST1 1998 | FUND ST2 1999 | FUND ST2 1998 | FUND ST3 1999 | FUND ST3 (US \$) 1998 |
|--|-------------------|---------------------|---------------------|---------------------|-------------------|-----------------------------|
| Investments at market value | | | | | | |
| Cash | \$ 710,351 | \$ 1,146,426 | \$ 1,578,453 | \$ 1,960,941 | \$ 130,852 | \$ 232,178 |
| Accrued investment income | - | - | 3,466 | 585 | 417 | 442 |
| Total assets | 710,351 | 1,146,426 | 1,581,919 | 1,961,526 | 131,270 | 232,621 |
| Custodial fees payable | 5 | 5 | 11 | 11 | 2 | 2 |
| Total liabilities | 5 | 5 | 11 | 11 | 2 | 2 |
| Net assets representing unitholders' equity | \$ 710,346 | \$ 1,146,421 | \$ 1,581,908 | \$ 1,961,515 | \$ 131,268 | \$ 232,619 |
| Number of units outstanding (note 10) | 282,687 | 479,599 | 618,886 | 807,817 | 84,387 | 157,894 |
| Net asset value per unit | \$ 2,513 | \$ 2,390 | \$ 2,556 | \$ 2,428 | \$ 1,556 | \$ 1,473 |

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Minister of Finance and Corporate Relations.

Doug Pearce
 Chief Investment Officer
 Ministry of Finance and Corporate Relations

Chris Trunphy
 Deputy Minister
 Ministry of Finance and Corporate Relations

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 1999

(\$ Thousands)

| | FUND ST1 | | FUND ST2 | | FUND ST3 | |
|---|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 |
| Net assets, beginning of year | \$ 1,146,421 | \$ 827,036 | \$ 1,961,515 | \$ 2,656,446 | \$ 232,619 | \$ 292,899 |
| Changes during the year: | | | | | | |
| Operations: | | | | | | |
| Income: | | | | | | |
| Investment income | 56,498 | 35,270 | 98,652 | 86,473 | 13,701 | 16,489 |
| Expenses (note 4): | | | | | | |
| Custodial fees | 25 | 23 | 43 | 44 | 7 | 9 |
| Net investment income | 56,473 | 35,247 | 98,609 | 86,429 | 13,684 | 16,480 |
| Net realized gain (loss) on sale of investments | (9) | (10) | 235 | (126) | - | (2) |
| Change in unrealized appreciation (depreciation) of investments | 49 | 35,221 | 1,477 | (1,678) | 5 | 10 |
| | <u>56,513</u> | <u>35,221</u> | <u>100,321</u> | <u>84,625</u> | <u>13,689</u> | <u>16,488</u> |
| Capital transactions: | | | | | | |
| Proceeds from units issued | 20,522,131 | 21,618,290 | 5,399,952 | 4,624,790 | 742,971 | 697,242 |
| Amounts paid for units redeemed | (21,014,719) | (21,334,126) | (5,879,880) | (5,404,346) | (858,021) | (774,010) |
| | <u>(492,588)</u> | <u>284,164</u> | <u>(479,926)</u> | <u>(779,556)</u> | <u>(115,050)</u> | <u>(76,768)</u> |
| Net increase (decrease) during the year | <u>(436,075)</u> | <u>319,385</u> | <u>(379,607)</u> | <u>(694,931)</u> | <u>(101,351)</u> | <u>(60,280)</u> |
| Net assets, end of year | \$ 710,346 | \$ 1,146,421 | \$ 1,581,908 | \$ 1,961,515 | \$ 131,268 | \$ 232,619 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF NET ASSETS
AS AT MARCH 31, 1999

(\$ Thousands)

| | INDEXED GOVERNMENT BOND FUND | | LONG TERM BOND FUND | | BRITISH COLUMBIA FOCUS FUND | |
|--|------------------------------|-------------------|---------------------|------------------|-----------------------------|------|
| | 1999 | 1998 | 1999 (note 1) | 1999 | 1998 | 1998 |
| Investments at market value | | | | \$ 39,408 | \$ 54,224 | |
| Receivable from sale of investments | | | | - | - | |
| Accrued investment income | | | | 3 | 228 | |
| Total assets | 160,392 | 175,095 | 202,581 | 39,411 | 54,452 | |
| Payable for investments purchased | 279 | 4,576 | - | - | - | |
| External management fees payable | - | - | - | 4 | 9 | |
| Custodial fees payable | 1 | 1 | 1 | - | - | |
| Total liabilities | 280 | 4,577 | 1 | 4 | 9 | |
| Net assets representing unitholders' equity | \$ 160,112 | \$ 170,518 | \$ 202,580 | \$ 39,407 | \$ 54,443 | |
| Number of units outstanding (note 10) | 97,702 | 111,281 | 201,981 | 30,179 | 41,450 | |
| Net asset value per unit | \$ 1,639 | \$ 1,532 | \$ 1,003 | \$ 1,306 | \$ 1,313 | |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF CHANGES IN NET ASSETS'S
FOR THE YEAR ENDED MARCH 31, 1999

(\$ Thousands)

| | INDEXED GOVERNMENT BOND FUND | | LONG TERM BOND FUND | | BRITISH COLUMBIA FOCUS FUND | |
|--|---|-------------------|--------------------------------|------------------|--|-------------|
| | 1999 | 1998 | 1999 (note 1) | 1998 | 1999 | 1998 |
| Net assets, beginning of year | \$ 170,516 | \$ 151,205 | \$ - | \$ 54,443 | \$ 68,421 | |
| Changes during the year: | | | | | | |
| Operations: | | | | | | |
| Income: | | | | | | |
| Investment income | 10,778 | 10,475 | 1,332 | 2,692 | 4,638 | |
| Expenses (note 4): | | | | | | |
| External management fees | 3 | 3 | 1 | 65 | 158 | |
| Custodial fees | 3 | 3 | 1 | 65 | 158 | |
| Net investment income | 10,775 | 10,472 | 1,331 | 2,627 | 4,480 | |
| Net realized gain (loss) on sale of investments | 8,894 | 3,311 | (78) | 465 | 340 | |
| Change in unrealized appreciation (depreciation) of investments | (7,463) | 6,178 | 1,327 | (3,128) | (2,798) | |
| | 12,206 | 19,961 | 2,580 | (36) | 2,022 | |
| Capital transactions: | | | | | | |
| Proceeds from units issued | 15,475 | 8,005 | 200,000 | (15,000) | (16,000) | |
| Amounts paid for units redeemed | (38,087) | (8,653) | (648) | (15,000) | (16,000) | |
| | (22,612) | | | | | |
| Net increase (decrease) during the year | (10,406) | 19,313 | 202,590 | (15,036) | (13,978) | |
| Net assets, end of year | \$ 160,112 | \$ 170,518 | \$ 202,590 | \$ 39,407 | \$ 54,443 | |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF NET ASSETS
AS AT MARCH 31, 1998

(\$ Thousands)

| | INDEXED CANADIAN EQUITY FUND | | ACTIVE CANADIAN EQUITY FUND | | TSE 100 INDEX EQUITY FUND | |
|--|---------------------------------|---------------------|--------------------------------|---------------------|------------------------------|---------------------|
| | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 |
| Investments at market value | | | | | | |
| Cash | \$ 6,177,111 | \$ 7,161,999 | \$ 3,652,538 | \$ 3,879,065 | \$ 3,046,134 | \$ 3,282,211 |
| Receivable from sale of investments | - | - | 281 | 737 | - | - |
| Accrued investment income | 93,583 | 55,372 | 10,873 | 9,712 | 23,251 | 249,114 |
| | 11,027 | 11,011 | 4,452 | 3,510 | 7,387 | 6,346 |
| Total assets | 6,281,721 | 7,228,382 | 3,668,144 | 3,893,024 | 3,078,772 | 3,537,671 |
| Payable for investments purchased | | | | | | |
| External management fees payable | 5,927 | 3,860 | 16,846 | 14,350 | 22,691 | 237,729 |
| Custodial fees payable | - | - | 1,610 | 1,885 | - | - |
| | 27 | 19 | 27 | 23 | 19 | 11 |
| Total liabilities | 5,954 | 3,679 | 18,485 | 16,258 | 22,710 | 237,740 |
| Net assets representing unitholders' equity | \$ 6,275,767 | \$ 7,224,503 | \$ 3,649,659 | \$ 3,876,766 | \$ 3,056,062 | \$ 3,299,931 |
| Number of units outstanding (note 10) | 3,067,810 | 3,165,918 | 1,440,394 | 1,364,558 | 1,654,321 | 1,588,717 |
| Net asset value per unit | \$ 2,046 | \$ 2,282 | \$ 2,534 | \$ 2,841 | \$ 1,947 | \$ 2,077 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 1999

(\$ Thousands)

| | INDEXED CANADIAN EQUITY FUND | | ACTIVE CANADIAN EQUITY FUND | | TSE 100 INDEX EQUITY FUND | |
|--|---------------------------------|------------------------|--------------------------------|------------------------|------------------------------|--------------------------|
| | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 |
| Net assets, beginning of year | \$ 7,224,503 | \$ 5,334,251 | \$ 3,876,766 | \$ 2,819,888 | \$ 3,299,931 | \$ 2,604,977 |
| Changes during the year: | | | | | | |
| Operations: | | | | | | |
| Income: | | | | | | |
| Investment income | 110,871 | 106,608 | 58,690 | 56,384 | 57,345 | 54,901 |
| Expenses (note 4): | | | | | | |
| External management fees | 96 | 80 | 6,884 | 6,833 | 62 | 45 |
| Custodial fees | | | 101 | 100 | | |
| Other | 96 | 80 | 6,985 | 6,988 | 62 | 45 |
| Net investment income | 110,775 | 106,528 | 51,705 | 49,426 | 57,283 | 54,856 |
| Net realized gain on sale of investments (note 5) | 241,551 | 229,917 | 23,887 | 343,478 | 158,213 | 322,180 |
| Change in unrealized appreciation (depreciation) of investments | (1,074,226) (721,900) | 1,380,358 1,716,803 | (502,926) (427,334) | 391,930 784,834 | (509,365) (293,869) | 465,918 842,954 |
| Capital transactions: | | | | | | |
| Proceeds from units issued | 259,198 | 5,521,780 | 200,227 | 3,941,900 | 543,800 | 3,182,241 |
| Amounts paid for units redeemed | (406,034) (226,836) | (5,348,331) 173,449 | - 200,227 | (3,669,856) 272,044 | (493,800) 50,000 | (3,330,241) (148,000) |
| Net increase (decrease) during the year | (948,736) | 1,890,252 | (227,107) | 1,056,878 | (243,869) | 694,954 |
| Net assets, end of year | \$ 6,275,767 | \$ 7,224,503 | \$ 3,649,659 | \$ 3,876,766 | \$ 3,056,062 | \$ 3,299,931 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF NET ASSETS
AS AT MARCH 31, 1999

(\$ Thousands)

| | ACTIVE U.S. EQUITY FUND | | S & P 500 INDEX EQUITY FUND | | U.S. INDEX ENHANCED EQUITY FUND | |
|--|----------------------------|---------------------|--------------------------------|---------------------|------------------------------------|-------------------|
| | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 (note 1) |
| Investments at market value | | | | | | |
| Cash | \$ 2,074,620 | \$ 2,332,719 | \$ 2,590,534 | \$ 2,590,534 | \$ 403,367 | \$ 403,367 |
| Receivable from sale of investments | 34,721 | 99,631 | - | - | 351 | 351 |
| Accrued investment income | 17,982 | 91,284 | - | 78,328 | 611 | 611 |
| | 1,868 | 5,928 | 2,491 | 3,377 | 477 | 477 |
| Total assets | 1,895,286 | 2,271,463 | 2,335,210 | 2,672,239 | 404,806 | 404,806 |
| Payable for investments purchased | | | | | | |
| External management fees payable | 15,135 | 57,786 | - | 1,084 | 618 | 618 |
| Custodial fees payable | 1,570 | 3,355 | - | - | 202 | 202 |
| | 64 | 59 | 19 | 5 | 12 | 12 |
| Total liabilities | 16,769 | 61,200 | 19 | 1,089 | 832 | 832 |
| Net assets representing unitholders' equity | \$ 1,878,497 | \$ 2,210,263 | \$ 2,335,191 | \$ 2,671,150 | \$ 403,974 | \$ 403,974 |
| Number of units outstanding (note 10) | 443,878 | 626,839 | 532,242 | 769,951 | 200,011 | 200,011 |
| Net asset value per unit | \$ 4,232 | \$ 3,526 | \$ 4,387 | \$ 3,469 | \$ 2,020 | \$ 2,020 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 1999

(\$ Thousands)

| | ACTIVE U.S. EQUITY FUND | | S & P 500 INDEX EQUITY FUND | | U.S. INDEX ENHANCED EQUITY FUND | |
|--|----------------------------|---------------------|--------------------------------|---------------------|------------------------------------|-------------------|
| | 1999 | 1998 | 1999 | 1998 | 1999 (note 1) | 1999 (note 1) |
| Net assets, beginning of year | \$ 2,210,263 | \$ 1,697,776 | \$ 2,671,150 | \$ 1,698,696 | \$ - | \$ - |
| Changes during the year: | | | | | | |
| Operations: | | | | | | |
| Income: | | | | | | |
| Investment income | 32,987 | 52,675 | 53,190 | 57,965 | 3,779 | 3,779 |
| Expenses (note 4): | | | | | | |
| External management fees | 7,186 | 8,615 | 122 | 117 | 397 | 28 |
| Custodial fees | 263 | 241 | - | - | - | - |
| Other | 7,449 | 7 | 122 | 117 | 425 | 425 |
| Net investment income | 25,538 | 43,812 | 53,068 | 57,846 | 3,354 | 3,354 |
| Net realized gain on sale of investments | 322,735 | 409,920 | 476,130 | 149,935 | 20,674 | 20,674 |
| Change in unrealized appreciation (depreciation) of investments | (81,646) | 287,776 | 66,579 | 739,269 | 69,265 | 69,265 |
| | <u>266,627</u> | <u>741,508</u> | <u>595,777</u> | <u>947,052</u> | <u>93,293</u> | <u>93,293</u> |
| Capital transactions: | | | | | | |
| Proceeds from units issued | 150,840 | 145,982 | 334,624 | 728,818 | 310,681 | 310,681 |
| Amounts paid for units redeemed | (749,233) | (375,003) | (1,266,360) | (703,416) | 25,402 | 25,402 |
| | <u>(598,393)</u> | <u>(229,021)</u> | <u>(931,736)</u> | <u>(703,416)</u> | <u>310,681</u> | <u>310,681</u> |
| Net increase (decrease) during the year | (331,766) | 512,487 | (335,959) | 972,454 | 403,974 | 403,974 |
| Net assets, end of year | \$ 1,878,497 | \$ 2,210,263 | \$ 2,335,191 | \$ 2,671,150 | \$ 403,974 | \$ 403,974 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF INVESTMENTS
AS AT MARCH 31, 1999

(\$ Thousands)

| | FUND ST1 | | | FUND ST2 | | | FUND ST3 | | |
|---|-------------------|-------------------|---------------|---------------------|---------------------|---------------|-------------------|-------------------|---------------|
| | Amortized Cost | Market Value | % of Total | Amortized Cost | Market Value | % of Total | Amortized Cost | Market Value | % of Total |
| Obligations of, or guaranteed by, Canada | \$ 474,318 | \$ 474,328 | 66.77 | \$ 427,071 | \$ 427,578 | 27.09 | \$ 43,402 | \$ 43,399 | 33.17 |
| Obligations of, or guaranteed by, the Province of British Columbia | 20,228 | 20,228 | 2.85 | 19,505 | 19,572 | 1.24 | - | - | - |
| Obligations of, or guaranteed by, other provinces | 215,788 | 215,795 | 30.38 | - | - | - | - | - | - |
| Obligations of, or guaranteed by, savings institutions | - | - | - | 489,725 | 489,863 | 31.03 | - | - | - |
| Commercial paper issued by corporations incorporated under the laws of Canada or a province | - | - | - | 641,282 | 641,440 | 40.64 | 87,455 | 87,453 | 66.83 |
| Total Investments | \$ 710,334 | \$ 710,351 | 100.00 | \$ 1,577,583 | \$ 1,578,453 | 100.00 | \$ 130,857 | \$ 130,852 | 100.00 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENTS
STATEMENTS OF INVESTMENTS
AS AT MARCH 31, 1999

(\$ Thousands)

| | INDEXED GOVERNMENT BOND FUND | | | LONG TERM BOND FUND | | |
|--|---------------------------------|---------------------------------|------------------------------|---------------------------------|---------------------------------|------------------------------|
| | Amortized Cost | Market Value | % of Total | Amortized Cost | Market Value | % of Total |
| Obligations of, or guaranteed by, Canada | \$ 109,178 | \$ 113,680 | 72.09 | \$ 116,826 | \$ 117,431 | 58.99 |
| Obligations of, or guaranteed by, the Province of British Columbia | 12,937 | 12,875 | 8.17 | 13,932 | 14,229 | 7.15 |
| Obligations of, or guaranteed by, other provinces | <u>29,488</u> <u>151,603</u> | <u>31,119</u> <u>157,674</u> | <u>19.73</u> <u>99.99</u> | <u>66,481</u> <u>197,239</u> | <u>66,906</u> <u>198,566</u> | <u>33.61</u> <u>99.75</u> |
| Units in Province of British Columbia Pooled Investment Portfolio Fund ST1 | <u>10</u> | <u>10</u> | <u>0.01</u> | <u>503</u> | <u>503</u> | <u>0.25</u> |
| Total Investments | \$ 151,613 | \$ 157,684 | 100.00 | \$ 197,742 | \$ 199,069 | 100.00 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
 STATEMENT OF INVESTMENTS
 AS AT MARCH 31, 1999

(\$ Thousands)

BRITISH COLUMBIA

| FOCUS FUND | | % of Total |
|-------------------|-------------------------|-----------------------|
| Cost | Market Value | |
| \$ 25,172 | \$ 27,521 | 69.84 |

Private Placements

Short Term Investments

Units in Province of British Columbia
 Pooled Investment Portfolio
Fund ST1

Fund ST2

Total Investments

| | | |
|------------------|------------------|---------------|
| 9,288 | 9,289 | 23.57 |
| 2,592 | 2,598 | 6.59 |
| 11,870 | 11,887 | 30.16 |
| \$ 37,042 | \$ 39,408 | 100.00 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF INVESTMENTS
AS AT MARCH 31, 1999

(\$ Thousands)

| | INDEXED CANADIAN EQUITY FUND | | | ACTIVE CANADIAN EQUITY FUND | | | TSE 100 INDEX EQUITY FUND | | |
|--|---------------------------------|---------------------|---------------|--------------------------------|---------------------|---------------|------------------------------|---------------------|---------------|
| | Average Cost | Market Value | % of Total | Average Cost | Market Value | % of Total | Average Cost | Market Value | % of Total |
| Equity Investments | | | | | | | | | |
| Mines and Minerals | \$ 289,487 | \$ 236,586 | 3.83 | \$ 170,422 | \$ 125,256 | 3.43 | \$ 132,162 | \$ 104,592 | 3.43 |
| Gold and Silver | 284,399 | 262,496 | 4.25 | 140,821 | 98,797 | 2.70 | 121,321 | 97,232 | 3.19 |
| Oil and Gas | 484,667 | 524,689 | 8.49 | 385,843 | 399,257 | 10.94 | 170,230 | 161,340 | 5.95 |
| Paper and Forest Products | 156,540 | 150,767 | 2.44 | 110,735 | 100,472 | 2.75 | 28,791 | 31,438 | 1.03 |
| Consumer Products | 151,228 | 232,974 | 3.78 | 202,669 | 277,048 | 7.58 | 76,986 | 86,440 | 2.84 |
| Industrial Products | 650,837 | 1,260,438 | 20.24 | 654,312 | 743,823 | 20.37 | 428,937 | 506,467 | 16.61 |
| Real Estate and Construction | 100,545 | 109,669 | 1.77 | 60,332 | 53,611 | 1.46 | 30,804 | 33,144 | 1.09 |
| Transportation and Environment | 149,293 | 141,469 | 2.29 | 95,445 | 93,207 | 2.56 | 55,153 | 55,605 | 1.82 |
| Pipelines | 165,167 | 193,113 | 3.13 | 71,576 | 68,206 | 1.86 | 84,132 | 95,722 | 3.15 |
| Utilities | 450,629 | 802,475 | 12.99 | 156,595 | 214,659 | 5.88 | 233,813 | 337,610 | 11.07 |
| Communication and Media | 294,999 | 501,628 | 8.12 | 92,376 | 141,975 | 3.89 | 154,167 | 201,611 | 6.62 |
| Merchandising | 168,316 | 213,407 | 3.46 | 94,340 | 111,529 | 3.05 | 36,138 | 52,379 | 1.71 |
| Financial Services | 679,687 | 1,302,842 | 21.09 | 587,163 | 795,787 | 21.79 | 428,716 | 584,701 | 19.51 |
| Conglomerates | 179,547 | 231,414 | 3.75 | 74,590 | 102,781 | 2.81 | 94,037 | 104,969 | 3.45 |
| TSE Index Participation Units | | | | | | | 534,179 | 546,207 | 17.92 |
| Investment Funds | | | | | | | | | |
| Convertible Debentures | 6,000 | 6,720 | 0.10 | 204,976 | 204,460 | 5.60 | | | |
| | | | | | | | | | |
| Short Term Investments | | | | | | | | | |
| Units in Province of British Columbia Pooled Investment Portfolio Fund ST1 | 16,424 | 16,424 | 0.27 | 6,400 | 6,400 | 0.17 | 18,677 | 18,677 | 0.61 |
| Obligations of, or guaranteed by, Canada, or saving institutions | - | - | - | 61,550 | 61,567 | 1.69 | - | - | - |
| Obligations of, or guaranteed by, provinces | - | - | - | 1,345 | 1,345 | 0.04 | - | - | - |
| Obligations issued by corporations incorporated under the laws of Canada or a province | | | | 52,349 | 52,358 | 1.43 | | | |
| | | | | 121,644 | 121,670 | 3.33 | 18,677 | 18,677 | 0.61 |
| Total Investments | \$ 4,447,765 | \$ 6,177,111 | 100.00 | \$ 3,223,839 | \$ 3,652,538 | 100.00 | \$ 2,628,243 | \$ 3,048,134 | 100.00 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
STATEMENTS OF INVESTMENTS
AS AT MARCH 31, 1999

(\$ Thousands)

| | ACTIVE U.S. EQUITY FUND | | | S & P 500 INDEX EQUITY FUND | | | U.S. INDEX ENHANCED EQUITY FUND | | |
|--|----------------------------|---------------------|---------------|--------------------------------|---------------------|---------------|------------------------------------|-------------------|---------------|
| | Average Cost | Market Value | % of Total | Average Cost | Market Value | % of Total | Average Cost | Market Value | % of Total |
| Equity Investments | | | | | | | | | |
| Auto and Transport | \$ 49,690 | \$ 51,112 | 2.78 | \$ 42,886 | \$ 62,016 | 2.66 | \$ 9,234 | \$ 9,779 | 2.42 |
| Consumer Discretionary | 176,725 | 215,756 | 11.72 | 113,760 | 211,236 | 9.05 | 39,749 | 43,062 | 10.68 |
| Consumer Staple | 153,832 | 198,214 | 10.77 | 158,440 | 257,316 | 11.03 | 31,582 | 32,279 | 8.00 |
| Financial Services | 191,304 | 228,520 | 12.41 | 213,198 | 379,756 | 16.28 | 59,086 | 70,197 | 17.41 |
| Health Care | 169,971 | 269,921 | 14.67 | 121,693 | 285,388 | 12.24 | 39,445 | 48,387 | 11.99 |
| Integrated Oil | 56,055 | 62,221 | 3.36 | 74,599 | 111,832 | 4.79 | 17,528 | 18,533 | 4.60 |
| Materials and Processing | 76,712 | 77,715 | 4.22 | 69,855 | 77,124 | 3.31 | 13,398 | 14,069 | 3.48 |
| Other Energy | 21,192 | 21,643 | 1.18 | 21,186 | 26,174 | 1.12 | 1,142 | 1,178 | 0.30 |
| Producer Durables | 96,013 | 129,291 | 7.02 | 93,557 | 168,040 | 7.20 | 24,536 | 28,676 | 7.10 |
| Technology | 290,794 | 432,013 | 23.47 | 194,465 | 487,126 | 20.89 | 56,211 | 86,414 | 21.43 |
| Utilities | 87,633 | 112,886 | 6.13 | 134,122 | 262,026 | 11.23 | 38,686 | 47,925 | 11.88 |
| Other | 17,224 | 16,225 | 0.88 | 2,442 | 2,200 | 0.09 | 3,303 | 2,864 | 0.71 |
| American Depository Receipts | 17,785 | 22,638 | 1.23 | - | - | - | - | - | - |
| | <u>1,404,930</u> | <u>1,838,155</u> | <u>99.86</u> | <u>1,240,203</u> | <u>2,330,234</u> | <u>99.89</u> | <u>333,900</u> | <u>403,363</u> | <u>100.00</u> |
| Convertible Debentures | | | | | | | | | |
| | 836 | 777 | 0.04 | - | - | - | - | - | - |
| Short Term Investments | | | | | | | | | |
| Units in Province of British Columbia Pooled Investment Portfolio Fund ST3 | 1,753 | 1,753 | 0.10 | 2,491 | 2,485 | 0.11 | 4 | 4 | 4 |
| Total Investments | <u>\$ 1,407,519</u> | <u>\$ 1,840,685</u> | <u>100.00</u> | <u>\$ 1,242,694</u> | <u>\$ 2,332,719</u> | <u>100.00</u> | <u>\$ 333,904</u> | <u>\$ 403,367</u> | <u>100.00</u> |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

1. **The Portfolios**

The Financial Administration Act, Section 43, subsection 1, authorizes the Minister of Finance and Corporate Relations to establish and operate pooled investment portfolios "... in which the money from trust funds, special funds or other funds, other public money and the money of government bodies and designated institutions may be combined in common for the purpose of investment by means of investment units of participation in a pooled investment portfolio."

Section 41, subsection 1, delegates the investment powers, duties and functions of the Minister of Finance and Corporate Relations with respect to the funds and monies to the Chief Investment Officer.

The portfolios consist of investments, authorized by Section 40, subsections 1, 4 and 6, and Section 43, subsection 8, of the Financial Administration Act.

Fund ST1 was established on April 21, 1986, and invests primarily in Canadian money market investments maturing within one month.

Fund ST2 was established on September 19, 1986, and invests primarily in Canadian money market investments maturing within 15 months.

Fund ST3 was established on August 1, 1990, and invests primarily in U.S. money market investments maturing within one month.

The Indexed Government Bond Fund was established on September 1, 1993, and invests primarily in bonds which are issued or guaranteed by the government of Canada or a provincial government.

The Long Term Bond Fund was established on February 1, 1999, and invests primarily in bonds which are issued or guaranteed by the government of Canada or a provincial government.

The British Columbia Focus Fund was established on March 31, 1994. Its investments are long term in nature and are generally made in partnership with other investors, outside the structure of public markets. The fund invests primarily in debt and equity investments in Canadian companies situated in British Columbia. Investments are generally related to venture capital, buy-out financing or expansion and development financing for companies at various stages of development. The fund was closed as at September 1, 1994. Distribution of net assets to the unitholders will be made as investments are wound up.

The Indexed Canadian Equity Fund was established on December 12, 1989, and invests primarily in common stock of the Canadian companies that comprise the Toronto Stock Exchange 300 Composite Index.

The Active Canadian Equity Fund was established on July 26, 1990, and invests primarily in diversified portfolios of common shares of Canadian companies.

The TSE 100 Index Equity Fund was established on June 27, 1994, and invests primarily in common stock of the Canadian companies that comprise the Toronto Stock Exchange 100 Composite Index.

The Active U.S. Equity Fund was established on October 20, 1993, and invests primarily in diversified portfolios of common stock of U.S. companies.

The S & P 500 Index Equity Fund was established on February 6, 1995, and invests primarily in common stock of the U.S. companies that comprise the Standard and Poor's 500 Composite Index.

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

1. The Portfolios (Continued)

The U.S. Index Enhanced Equity Fund was established on September 1, 1999, and invests primarily in common stock of U.S. companies.

Participation in each portfolio is expressed in units, each unit giving its holder a proportionate share in net assets. Unitholders may only acquire and redeem units on respective valuation dates. The value of a unit is \$1 million on establishment, and on subsequent valuation dates is determined by dividing the market value of the net assets of the portfolio by the total number of units outstanding.

The number of portfolio units available for issue is unlimited, except for the British Columbia Focus Fund. The British Columbia Focus Fund is a closed-end fund, which was limited in participation to a prescribed set of unitholders at the time the fund was established. As noted above, the British Columbia Focus Fund has not issued new units of investment since September 1, 1994.

The financial statements of Fund ST3 are presented in U.S. dollars.

For the Active U.S. Equity Fund, the S & P 500 Index Equity Fund and the U.S. Index Enhanced Equity Fund, the \$1 million unit value equated to \$1.321 million, \$1.398 million and \$1.553 million in translated Canadian dollars respectively, based on foreign currency exchange rates on the funds' establishment dates as noted above. The financial statements of the U.S. equity funds are presented in Canadian dollars.

2. Significant Accounting Policies

a) Valuation of Investments

Short term investments are valued at market derived from external quotations. Securities listed on a stock exchange are valued at their closing sale price. Securities not traded on the valuation date are valued at the mean price between the latest bid and asked price. Securities not listed on any stock exchange, or which are traded over-the-counter, are valued in the same manner based on available public quotations from recognized dealers in such securities or at the price estimated by the fund manager to be the fair value.

Private placement investments are valued by the external managers, on a quarterly basis, at their estimates of fair value. Fair value is defined as the expected realization if investments were disposed of in an orderly distribution over a reasonable period of time. These valuations are reviewed and approved by management.

b) Measurement Uncertainty

Financial statements prepared in conformity with generally accepted accounting principles require management to make certain estimates and assumptions which can affect the reported balances. In determining the market value of some of its investments, particularly private placements, management relies on external fund managers' assumptions regarding investment industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. By nature, these asset valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the reported market values may change by a material amount.

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

2. Significant Accounting Policies (Continued)

c) Investment Transactions and Income

Investment transactions are accounted for on the trade date basis, except for private placement investments which are recorded on the closing date. Dividend income is recognized on the ex-dividend date, and interest income on the accrual basis. Income on foreign investments is reported net of withholding tax expense. Realized gains and losses and unrealized appreciation or depreciation of investments are calculated based on the average cost for equities, cost for private placements, and amortized cost for money market securities and bonds. The amortized cost is the cost of acquisition adjusted by amortization of discounts and premiums on a true constant yield basis over the terms of the investments.

d) Foreign Currency Translation

Assets, liabilities and commitments in foreign currencies are translated into Canadian dollars at the fiscal year-end exchange rate. Income, purchases and sales of investments are translated at the rate prevailing on the respective dates of such transactions. Realized and unrealized gains and losses include foreign currency translations.

3. Risk Management

In general, all pooled investment portfolios are exposed to price risk and credit risk. There are three types of price risk: currency risk, interest rate risk and market risk. Currency risk relates to the possibility that investments may change in value due to future changes in foreign exchange rates. Interest rate risk relates to the possibility that investments may change in value due to future investments may change in value due to future changes in market interest rates. Market risk relates to the possibility that investments may change in value due to future changes in market prices. Credit risk relates to the possibility that a loss may occur if another party fails to discharge an obligation. In order to avoid undue investment risk, the Office of the Chief Investment Officer has established specific investment criteria for each pooled investment portfolio, such as minimum credit ratings for investees and counterparties, and investment diversification requirements. There is no undisclosed exposure in the funds' investments.

4. Expenses

Custodial fees are applicable to the money market funds, the bond funds and the equity funds. Management fees are paid by the Active Canadian Equity Fund, the Active U.S. Equity Fund and the U.S. Index Enhanced Equity Fund to external fund managers for providing investment management and advisory services. For the British Columbia Focus Fund, in most cases, management fees are expenses of the various partnership investments - not of the fund. Where management fees were incurred directly by the fund, these are reported on the financial statements. Brokerage fees are incorporated into the cost and proceeds of equity and bond transactions.

5. Write Down of Investments

During the year, the Indexed Canadian Equity Fund, Active Canadian Equity Fund and TSE 100 Index Equity Fund wrote down the cost of several investments. The losses included in net realized gain on sale of investments are \$51.3 million, \$8.2 million and \$22.7 million respectively.

**PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999**

6. Related Party Transactions

All inter-portfolio transactions are conducted at market value. Direct administration costs are paid from the pooled investment portfolios, whereas indirect costs are borne by the Minister of Finance and Corporate Relations. The Minister recovers these costs by charging the unitholders a management fee. This fee is calculated based on the market value of the unitholders' investment holdings administered by the Office of the Chief Investment Officer.

7. Commitments

The British Columbia Focus Fund has outstanding commitments to invest an additional \$3.4 million with external managers.

8. Uncertainty due to the Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

9. Subsequent Event

On July 15, 1999, the Legislative Assembly of the Province of British Columbia passed Bill 95, the Public Sector Pension Plans Act. The Act establishes the British Columbia Investment Management Corporation as a trust company authorized to carry on trust business and investment management services. It is anticipated that effective January 1, 2000, the corporation will replace the Office of the Chief Investment Officer as the body responsible for managing the pooled investment portfolios. Each portfolio established under B.C. Reg. 84/86, the Pooled Investment Portfolios Regulation, is continued under this Act and the regulations. All assets held under or in a portfolio by the Minister of Finance and Corporate Relations or the Chief Investment Officer under the Financial Administration Act immediately before January 1, 2000, must continue to be held under or in the portfolio, in trust, by the corporation. Each participating fund allocated units of a portfolio immediately before January 1, 2000, must continue to be allocated those units of the portfolio with the corporation holding those units as agent for the participating fund.

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

10. Units Outstanding

The following is a summary of the changes in units outstanding during the year:

| | FUND ST1 | | FUND ST2 | | FUND ST3 | |
|--------------------------------|-----------------|-------------|-----------------|-------------|-----------------|-------------|
| | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 |
| Outstanding, beginning of year | 479,599 | 358,976 | 807,817 | 1,135,773 | 157,894 | 210,431 |
| Issued | 8,387,144 | 9,223,813 | 2,169,570 | 1,943,730 | 491,354 | 487,556 |
| Redeemed | (8,584,056) | (9,103,190) | (2,358,501) | (2,271,686) | (564,861) | (540,093) |
| Outstanding, end of year | 282,687 | 479,599 | 618,886 | 807,817 | 84,387 | 157,894 |

| | INDEXED GOVERNMENT BOND FUND | | LONG TERM BOND FUND | | BRITISH COLUMBIA FOCUS FUND | |
|--------------------------------|-------------------------------------|-------------|----------------------------|-------------|------------------------------------|-------------|
| | 1999 | 1998 | 1999 (note 1) | 1998 | 1999 | 1998 |
| Outstanding, beginning of year | 111,281 | 111,773 | - | - | 41,450 | 53,736 |
| Issued | 9,882 | 5,508 | 201,991 | - | - | - |
| Redeemed | (23,461) | (6,000) | - | - | (11,271) | (12,296) |
| Outstanding, end of year | 97,702 | 111,261 | 201,991 | 30,179 | 41,450 | 53,736 |

PROVINCE OF BRITISH COLUMBIA POOLED INVESTMENT PORTFOLIOS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999

10. Units Outstanding (Continued)

| | INDEXED CANADIAN EQUITY FUND | | ACTIVE CANADIAN EQUITY FUND | | TSE 100 INDEX EQUITY FUND | |
|--|---------------------------------|------------------|------------------------------------|------------------|------------------------------|------------------|
| | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 |
| Outstanding, beginning of year | 3,165.918 | 3,073.508 | 1,364.558 | 1,258.480 | 1,588.717 | 1,666.927 |
| Issued | 121.665 | 2,758.346 | 75.636 | 1,503.605 | 320.370 | 1,753.219 |
| Redeemed | (219.773) | (2,665.936) | - | (1,397.527) | (254.766) | (1,831.429) |
| Outstanding, end of year | <u>3,067.810</u> | <u>3,165.918</u> | <u>1,440.394</u> | <u>1,364.558</u> | <u>1,654.321</u> | <u>1,588.717</u> |
| ACTIVE U.S. EQUITY FUND | | | | | | |
| | S & P 500 INDEX EQUITY FUND | | U.S. INDEX ENHANCED EQUITY FUND | | 1999 (hole 1) | |
| | 1999 | 1998 | 1999 | 1998 | 1999 | 1998 |
| Outstanding, beginning of year | 626.839 | 709.623 | 769.951 | 742.245 | - | - |
| Issued | 35.357 | 50.463 | 90.315 | 273.642 | 200.011 | - |
| Redeemed | (218.318) | (133.247) | (328.024) | (245.936) | - | - |
| Outstanding, end of year | <u>443.878</u> | <u>626.839</u> | <u>532.242</u> | <u>769.951</u> | <u>200.011</u> | <u>-</u> |